Directors' Report and Financial Statements

Year ended 31 March 2017

Community Benefit Society Number IP29838R
Homes and Communities Agency (HCA) Registration Number L4457
Company Limited by Shares

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Board of Directors, Executives and Advisors

Board of Directors	Advisors
Irene Bailey (Chair) Craig Garner (Vice Chair) David Jones (Resigned 10th November 2016) Sue Lyons David Mawson Liz Petch Brian Rollo (Resigned 18th May 2016) Julie Holmes (Resigned 29th May 2016) Roy Leeming David Yates Angela Ayres (Appointed 8th September 2016) Mark Yates (Appointed 19th October 2016) Allan Ramsey (Appointed 10th November 2016) Veronica McLintock (Appointed 19th January 2017) **Executive Officers** Diane Bellinger (Chief Executive) Rob Wakefield (Director of Resources & Company Secretary) Louise Mattinson (Director of Customer Services) Andrew Upton (Director of Community Regeneration)	**Statutory Auditors** KPMG LLP Public Sector Audit 1 St Peters Square Manchester M2 3AE **Internal Auditors** BDO 3 Hardman Street, Spinningfields Manchester M3 3AT **Bankers and Funders** Barclays Bank PLC 1st Floor 3 Hardman Street Spinningfields Manchester M3 3HF

Registration Details

Registered Office: Harbour House, Portway, Ashton on Ribble, Preston, PR2 2DW

Registered by the Homes and Communities Agency: Number L4457

Registered Community Benefit Society Number: Number IP29838R

Report of the Board of Management for the year ended 31 March 2017

Principal activities and review of business

Community Gateway Association (CGA) is a Community Benefit Society and a Registered Provider that provides rented social housing accommodation. CGA is a company limited by shares and is registered as a charity for tax purposes. As a charity CGA is exempt from corporation tax on the bulk of its operational activities.

The principal activity during the year was the management and maintenance of CGA's properties. CGA is the main provider of social housing in Preston and was the first social landlord created using the community gateway model. Unlike most other housing associations, CGA's membership is open to all of our tenants, leaseholders and other residents living in the community. At the 31st March 2017 its membership stood at 4,304. A key purpose of the organisation is to ensure that its members are involved in decision making processes and gain opportunities to determine the future of their local communities. This approach is designed to improve the quality of decision-making, leading to the delivery of better standards of service and improved value for money. CGA's community empowerment strategy provides opportunities for tenants and communities both to develop community activity locally and to engage with CGA.

Preston Vocational Centre (PVC) (a registered Charity) is a subsidiary of CGA. PVC is a local charitable organisation that provides a range of vocational training and wider learning and development opportunities to young people and adults of Preston and the surrounding area to assist them in progressing to apprenticeships, employment or further education and to take a positive step to achieving their personal, economic and social potential. The transactions of PVC are not material to CGA and therefore PVC's accounts have not been consolidated with CGA's.

As at 31st March 2017 CGA owned 6,173 (2016: 6,183) housing properties for rent. All of the stock is located in Preston with the exception of a small number of properties (26) in the surrounding boroughs.

CGA also has a Development Programme and during the year we increased our stock by 30 units through the acquisition and development of new homes. This increase was offset through a reduction in stock through Right to Buy Sales (27 units), Right to Acquire Sales (10 units), the conversion of three shared units into one unit, and the surrender of a lease, resulting in a net decrease in stock of 10 units.

Employee Engagement

The strength of CGA lies in the quality and commitment of its employees. CGA's ability to meet its objectives and commitments to customers in an efficient and effective manner depends on the contribution of all our employees.

The Board recognises the importance of employee involvement and engagement for CGA's ongoing success. Our aim is to recruit, retain and develop the best staff and we want all our people to share their passion, confidence, experience and knowledge with their colleagues and customers. There is an embedded culture of empowerment and learning right across CGA. We pride ourselves on identifying and nurturing internal talent by investing in engagement, learning and development. This ensures that staff remain motivated and committed to providing excellent services to our customers. Our continuing focus on our people has helped us retain Investors in People Gold accreditation and be ranked in the top 10 of the Sunday Times Best Companies list.

Equal Opportunities

CGA is committed to an active equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation. All decisions relating to employment practices will be objective, free from bias and based solely on work criteria and individual merit. We are responsive to the needs of our employees, residents and the community at large. The Board is aware of its responsibilities in respect of equality and diversity and has approved an equality and diversity strategy.

CGA will fairly consider any employment applications made by disabled people. We will also attempt to continue employing staff who become disabled during their employment. In the last year the percentage of female staff was 49.79%, the percentage of staff from a black or minority ethnic background was 10% and the percentage of disabled staff was 7%.

Health & Safety

CGA is committed to providing a safe working environment to its workforce, and aims to lead by example with its partner contractors. The Board is aware of its health and safety responsibilities and has a policy statement in place and receives regularly briefings on health and safety matters. The Health and Safety Committee monitors performance and addresses health & safety issues and reports into the Audit & Risk Committee. Advice and support to staff is provided by a Health and Safety Manager.

Qualifying third party indemnity provisions

CGA has insurance policies that indemnify its board members and executive directors against liability when acting for the company.

Donations

During the year CGA did not make any charitable donations however employees of CGA made donations to local staff elected charities totalling £3,245 (2016: £5,851).

Annual General Meeting (AGM)

The AGM will be held on 21st September 2017 at Preston Guild Hall.

Diane Bellinger

Chief Executive

Value for Money

SUMMARY OF ACHIEVEMENT

2016/17 was the first year of our new 2016-19 Corporate Plan. As a Board we are pleased with the good progress made in many areas, with the majority of the targets and outcomes we set out to achieve by March 2017 being met. During the year we continued to focus on the cost effective delivery of the priorities agreed with our tenants and wider stakeholders, and as set out in our previous VfM self-assessment. Some of our key successes are summarised below.

- The **high levels of customer satisfaction** with our services. Overall satisfaction has improved to 92.5% and we have sustained satisfaction levels with the repairs and maintenance service and our neighbourhood as a place to live. Pleasingly, we have seen an increase in tenant satisfaction with opportunities to get involved and value for money for the rent paid, both exceeding the targets set and being placed in the upper quartile when compared to our peers.

- Continuing to **improve performance** in a range of key service areas. We have continued to improve already high performance in income collection and arrears management, collecting 100.2% of our rent and reducing arrears to just 0.8%. The performance of our in-house maintenance service, Gateway PropertyCare, continues to be strong and our focus on improving the sustainability of our tenancies continues to have a positive impact, with the number of tenancy terminations falling for the third year in succession (now 8.36%) and contributing to a significant reduction in costs associated with void properties and the level of lost rent continuing to reduce to 0.78% in 2016/17.

- As a Board we remain **cost aware**. We have a good understanding of our cost base and are pleased to see that it compares well overall, specifically given the high levels of performance and satisfaction that are achieved from this investment. Our cost per unit in the year was £2,580 and compares well against the sector average of £3,260 and our peer group average of £3,215. Our repairs and maintenance costs remain very competitive and we have achieved significant improvements to our housing management costs and corporate overheads through a combined focus of reviewing how services are delivered, reviewing our asset management strategy and ensuring that our procurement strategy secures cost effective prices and contract arrangements.

- We have **exceeded our savings target** for the year while sustaining those made in previous years. We set out to achieve savings of £1.230m in the year from across the business. Through effective management and an engaged workforce we have secured £1.899m of recurring savings, which sees us well placed to deliver our savings target of £3.9m by the end of March 2019. We will continue to build on this strong track record in order to continue to effectively respond to the downward pressure on our income streams brought about by the 4 year 1% rent cut introduced by the government from April 2016 alongside the continued implementation of welfare reform. We have revised our long term business plan and medium term financial plan in light of these challenges and are continuing to implement a series of cost reductions that will ensure we are able to effectively meet these challenges whilst retaining a focus on providing services, maintaining existing homes and developing new ones.

- The **positive progress of our development programme**. In the year we have acquired, built and let a further 30 homes, investing over £2.9m in these schemes. We have capacity within the Business Plan to develop a further 272 homes and have plans in place to secure additional funding to deliver our Growth Strategy.

- We have a **good understanding of our stock**. Whilst there remains a difference in the financial performance between different areas, all areas indicate a positive net present value ranging from £9.6k to £20.2k. The key differing factor in the financial performance of our stock remains the property type; bedsits, flats and maisonettes achieve a significantly lower NPV than our houses. We have a revised Asset Management Strategy and we have formalised our approach to undertaking option appraisals, using information from the Asset Management Information System to identify 5 schemes per year on which to undertake a formal option appraisal using our newly developed Retention, Divestment & Investment Framework, with the aim of improving the average NPV of our stock by 5% by 2022.

- We continue to benefit from a **skilled, motivated and engaged workforce**. We remain an IiP Gold accredited employer and during the year were once again ranked as a 3* employer in the Sunday Times Best Companies survey, being placed 10th on the Not-for-Profit list. We are pleased to see that the positive action we have taken to improve the levels of sickness absence has delivered real results, with sickness absence for the year reducing to 6.8 days per employee on average, being a 26% reduction on the previous year and seeing us compare well to other housing associations. Our staff turnover also remains healthy, averaging below 10% for the year, and again comparing well with others.

Our three year corporate plan recognises that we need to remain focused on delivering significant cost savings whilst looking to sustain performance and satisfaction levels, continue to engage and empower our communities and staff, invest in the development of new homes and improve CGA's financial resilience through pursuing an ambitious growth strategy. Achieving value for money is one of the 10 strategic objectives within our corporate plan and, in line with our Gateway founding principles, we will continue to work closely with our tenants and wider stakeholders to ensure that we deliver increasingly cost effective services that are valued by our customers.

Our Approach

Achieving value for money (VfM) and continuous improvement remains a fundamental business strategy for CGA. Through our VfM strategy we continue to embed the principle of VfM to ensure that we provide efficient, cost-effective services to our tenants and customers.

We are open about how we manage our finances and meet our targets. Gateway Central (formerly the Gateway Tenants Committee) and its Action Groups receive regular reports throughout the year on our financial position and how we are performing against our service targets. All tenants receive regular updates through our customer newsletter, Gateway News, and each year we publish an annual report, so that our tenants can see how we have performed and our financial standing. Our financial statements set out how we have managed our money by reinvesting surpluses back into our communities and building more homes for people to live in.

Decision-making framework

Effective decision making supports the delivery of VfM. Knowing the impacts of decisions, whether it is improvements to services or cost reductions, allows priorities to be set and agreement reached. CGA's decision making framework includes:

- A robust corporate planning structure involving the Board, tenants, staff and wider stakeholders in the production of our three year corporate plan that is supported by policies and strategies, aligned to the corporate objectives;
- Annual plans are prepared by each Directorate and service area to deliver the corporate objectives and focus on service improvements, provide a forward view of financial and resource requirements and wider social and environmental gains;

- The collection of customer satisfaction feedback, coupled with committed tenant involvement, empowerment and scrutiny ensures that feedback from our customers is considered when setting strategic plans and is used to inform and influence how services are delivered;
- The Executive Leadership Team reviews financial performance on a monthly basis, and reports through to the Board on a quarterly basis, comparing performance to the budget, the medium term financial plan and the business plan. This enables corrective action to be taken in a timely manner and the consideration of short and medium term implications;
- Strategic and operational performance indicators, aligned to the corporate objectives, provide the Board, management and tenants with an understanding of current performance against target and how it compares to recognised benchmarks;
- A corporate project management framework that requires the Senior Management Team to approve new business initiatives, ensuring that it has been fully evaluated, appraised against the corporate objectives and is managed in a consistent manner.

As a tenant-led organisation that is founded on Community Gateway model principles we have well established governance and involvement structures that ensure our customers play an important, active role in the decisions that CGA takes as a business and, in doing so, provide a continued challenge to operate efficiently and get the best outcomes for customers. Gateway Central, and its supporting Action Groups, formally consider and contribute to strategic and operational decisions and through the service based action groups actively reviews and challenges performance, provides feedback on customer service and puts forward proposals for continued service improvement. Gateway Scrutiny, our tenant scrutiny group, supports the process of continual improvement by undertaking formal scrutiny reviews and reports directly to the Audit & Risk Committee on their findings and recommendations, and subsequently monitors the implementation of these recommendations and reports progress to the Committee.

Looking Back

In our last VfM self-assessment the Board identified a number of actions and improvements that we wanted to see taken forward during 2016/17 to ensure that obtaining better VfM continued to be a central feature when delivering our corporate objectives. We are pleased to report that the majority of these actions have progressed well and have led to improved levels of performance, robust investment decisions being taken and the continued achievement of cashable efficiency savings to enable targeted investment into new build development, our business systems and regeneration initiatives.

The government presented its Emergency Budget in July 2015, introducing a number of policies that have had a considerable impact on housing associations. The most significant measure was the introduction of a four year rent reduction from April 2016, resulting in an annual reduction in income of £3.5m by 2019/20. In order to respond to this the Board undertook a comprehensive review of its business plan prior to setting out a balanced approach to meeting the financial challenges. 2016/17 was the first year of the rent cut and it was essential that we closely monitor the delivery of our efficiency programme in order to ensure that we are effectively responding to the downward pressure on our income streams and remain financially strong whilst continuing to provide those services that matter most to our customers, maintaining existing homes to a good standard and investing in the development of new homes.

The table overleaf summarises the planned actions, what the outcome has been and an assessment of whether the desired outcome has been achieved in full or not and the evidence that we, the Board, have used to support our assessment.

Planned Action	Outcome	Evidence	Assessment
Review VfM and Procurement Strategies	• Strategies combined and refreshed and approved by Board in September 2016.	• Revised strategy approved	Outcome achieved
Implement cost savings programme	• Positive progress in delivering our efficiency programme with recurring cost savings of £1.899m achieved in the year, exceeding target by £0.669M.	• KPI's • Financial targets	Milestones achieved (remains a focus)
Improve number of sustainable tenancies to minimise lost income and reduce costs	• Further improvement to tenancy sustainability with tenancy turnover falling to its lowest ever level of 8.36%, void rent loss has improved further and is now down to 0.78% and the costs associated with void properties reduced by 14%.	• KPI's • Financial targets	Outcome achieved
Investment works to be undertaken by GPC	• GPC completed 59% of our investment works, increasing by 22% from the previous year of 37%. By undertaking this work in-house we achieved efficiency savings of £365k. In addition we have continued to rationalise our use of sub-contractors, generating further efficiency savings of £55k in 2016/17. Assuming the same volume and scope of work in future years this savings will be recurring.	• PI's • Financial targets	Outcome achieved (remains a focus)
Income diversification	• During the year we continued to provide our SupportLine service to 300 customers, generating £65k. We also provided health and safety services to a neighbouring housing association, generating £50k and secured a contract valued at £38k per annum to deliver out of hours service monitoring to another north west housing association.	• Financial targets	Outcome achieved (remains a focus)

Planned Action	Outcome	Evidence	Assessment
Secure cost savings through effective procurement	• We continued our focus on procurement by re-procuring 11 contracts in the year, including our void clearance and commercial cleaning contracts, along with both internal and external audit services, securing cost savings of £780k (11%) over the life of the new contracts.	• Financial targets • Board reports	Outcome achieved (remains a focus)
Review treasury management strategy and implement refinancing	• Treasury Management Strategy reviewed and Board have clarified its growth and development aspirations through approving a Growth Strategy and subsequent amendments to the Development Strategy. Refinancing review is to be progressed during 2017/18.	• Board reports	Partially achieved (remains a focus for 2017/18)
Implement Phase 1 of Gateway Connect	• Phase 1 of the Gateway Connect project has suffered from implementation delays and is now scheduled to go-live in July 2018.	• Board reports	In progress (remains a focus for 2017/18)
Relocate Gateway GreenCare	• We continue to review our non-housing assets and during the year relocated our works depot securing efficiencies of £30k per annum.	• Financial targets	Outcome achieved
Asset Management	• We have reviewed and refreshed our Asset Management Strategy and Development Strategy, and established our Growth Strategy, which clearly defines how we intend to invest in our current assets and grow the business over the coming 5 years. • Further developed our Asset Management Information System (AMIS) to support informed decisions regarding our property portfolio and established a Retention, Divestment & Investment Policy to drive robust decisions flowing from stock option studies.	• Board reports	Outcome achieved (remains a focus)

Where are we now?

Our performance and how we compare

We recognise the importance of measuring how the business is performing and use this knowledge to help us challenge whether the quality of our services could be improved or delivered more cost effectively. This focus will be increasingly important if we are to effectively deliver the cost saving programme over the next four years stemming from the changes to the national rent policy and mitigate the risks to our income from, for example, the continued reforms to the welfare system.

Key performance indicators on operating performance are reviewed monthly by the Corporate Management Team and quarterly by the Board and Gateway Central to ensure that we are achieving our strategic objectives. We set ourselves challenging targets to sustain or improve year-on-year through our annual corporate planning process. The table below provides a summary of business performance in 2016/17 as measured by our key performance indicators and provides a comparison of performance against the target for the year, that of the previous year and how we compare against other housing providers using the latest available benchmarking information published by HouseMark.

When comparing our performance against that of our peers we use HouseMark's North West benchmarking group for Large Scale Voluntary Transfer organisations with greater than 2,500 units, which consists of approximately 18 housing providers. This bespoke peer group was selected to represent similar housing associations, operating in the same geographic region.

Key Performance Indicator	2015/16 Actual	2016/17 Target	2016/17 Actual	2016/17 Result	Direction of Travel	Comparison to other Housing Providers	
						Upper Quartile	Rank
Dwellings meeting the CGA Homes standard	100%	100%	100%			-	-
CGA properties with a valid gas certificate	100%	100%	100%			100%	
Average end-to-end time for all responsive repairs (days)	5.64	5.90	5.71			5.55	
Responsive repairs that were that were right first time	96.57%	97.29%	97.55%			97.83%	
Average energy efficiency rating of dwellings (as measured by SAP)	71.24	71.00	71.24			72.9	
Tenancy Turnover	10.15	9.00	8.36			7.28	
Average days to let a void property	22.18	24.00	26.43			22.25	
Satisfaction with new home	100%	100%	90.00%			100%	
Average number of days lost to absence	9.17	7.00	6.81			6.77	
Tenant satisfaction with overall service (STAR)	91.6%	93.0%	92.5%			91.60%	
Tenant satisfaction with their neighbourhood as a place to live (STAR)	86.7%	87.5%	86.5%			90.28%	
Tenant satisfaction with value for money of rent (STAR)	86.1%	86.5%	89.0%			87.00%	
Tenant satisfaction with repairs and maintenance (STAR)	89.3%	89.3%	89.0%			87.00%	

Quartile Key	Upper Quartile	Middle Upper	Middle Lower	Lower Quartile

Overall, performance was strong in most areas. Our drive to invest and maintain our homes to a high standard is evidenced in the performance levels, with all our stock being maintained to our Homes Standard and continuing to benefit from a current gas safety and electrical periodic certificates. As a Board we recognise the improvement in our performance over time, and we remain pleased with the way the repairs service, Gateway PropertyCare, has improved year on year since it was brought in-house in April 2013. Stretching performance targets have been met and the service continues to compare well with our peers in terms of quality, cost and customer satisfaction.

Following targeted action we are pleased that staff absence rates have improved, with the average days lost reducing from 9.17 to 6.81 (an improvement of 25%) and now seeing us compare well with our peers. Our corporate focus on improving tenancy sustainability continues to have a positive effect. Turnover continues to fall, and is now at an all-time low of 8.36%. Void rent loss also remains low at 0.78%. Both results exceeded our target for the year and see us compare well with our peers, with both results placing us in the middle upper quartile when benchmarked.

In terms of areas for improvement we are keen to see a better rate of satisfaction with our newly developed homes. Whilst we have set a challenging target of 100% satisfaction this was the first year that performance has fallen below this target. Feedback received to date confirms that we are able to improve our contract management and lettings processes in relation to new homes and are keen that these improvements are implemented over the coming 12 months and our stretching target met in 2017/18. Overall, we are pleased that our tenants remain very satisfied with the service they receive and are particularly pleased that they are increasingly satisfied with the value for money for the rent they pay. Over the past 12 months we have implemented a range of cost saving measures in response to the 1% rent cut and so are pleased to see satisfaction levels remaining high in most areas.

Our performance management framework also includes close scrutiny of our financial position and we use a number of measures to assess our ongoing financial performance. In measuring financial performance we recognise that there are a number of stakeholders interested in our performance and we have established a range of measures to provide a wider understanding of our financial position. The table below provides a summary of financial performance in 2016/17 with a comparison against both our target for the year and performance in the previous year and, where applicable, a comparison to other housing providers using financial measures used by HouseMark, the Sector Scorecard pilot and the HCA.

Financial Performance Measure	2015/16 Actual	2016/17 Target	2016/17 Actual	2016/17 Result	Comparison to other housing providers	
					Upper Quartile	Rank
Operating Margin	25.34	22.01%	35.94%		35.9%	
Net rent collected	99.12%	98.20%	100.21%		N/A	N/A
Current arrears as a percentage of net rent debit	1.02%	2.76%	0.80%		1.82%	
Rent loss through voids	0.86%	0.85%	0.78%		0.73%	
Amount of savings achieved to date	£2.3m	£1.2m	£1.9m		N/A	N/A
Total invested in new build development	£8.6m	£5.2m	£2.0m		N/A	N/A
Average interest rate	4.49%	4.24%	4.20%		4.50%	
Interest Cover (EBITDA)	279%	146%	300%		348%	
Management Cost Per Unit	£1,210	£1,301	£890		£917	
Service Cost Per Unit	£210	£235	£219		£219	
Maintenance Cost Per Unit	£760	£751	£735		£770	
Major Repairs Cost Per Unit	£470	£700	£570		£634	
Other Social Housing Cost Per Unit	£210	£187	£170		£77	
Headline Social Housing Cost Per Unit	£2,870	£3,175	£2,580		£2,919	
Overheads as a percentage of adjusted turnover	11.64%	11.76%	10.28%		10.30%	

Quartile Key (HouseMark / HCA)	Upper Quartile	Middle Upper	Middle Lower	Lower Quartile
	1	2	3	4

Overall our financial performance in the year was positive with the majority of our targets being met. We continue to have strong performance on income recovery, with high levels of rent recovery and low levels of rent arrears and rent lost through properties standing empty. In the year we collected 100.21% of net rent, £25.8m in cash terms, and in doing so outperformed our cash collection target by £1.4m. Our performance in this area compares favourably with that of other housing providers, with current rent arrears of below 1%. This sees us ranked highly amongst our HouseMark peer group and ensures we are well placed to tackle the challenges posed by the reforms to the welfare system. We have made good progress in controlling our costs and implementing the first year of efficiency savings in response to the national rent reduction policy. Overall, the strong performance in terms of income collection and management of costs has seen us achieve an operating margin of 36%, which is above our target for the year and compares favourably with others.

As a Board we are cost aware, retaining a good understanding of our cost base and the way in which resources are directed. We continue to review our cost base to ensure that we are operating cost effectively and are targeting our resources in the delivery of our corporate objectives. We use the HouseMark cost benchmarking service to help us understand and challenge our cost drivers and to assess how our costs compare to others to see where we may be able to generate greater efficiencies. To further evaluate how we allocate resources we have again reviewed the unit cost data provided by the HCA in 2017 as part of the 2016 Global Accounts of private registered providers.

Overall, our headline social housing cost per unit stands at £2,580. This is a significant improvement on the previous year, with overall costs reducing by £287 (equating to 10.02%). Our cost per unit compares well with other housing associations, with our current headline cost being at the lower end of the HCA benchmarks. The positive movement between years is made up predominantly with reductions in our management costs, which is consistent with the savings plan being implemented in response to the 1% rent cut. Our continued improvement in cost efficiency in our overheads is one example of where savings have been actively targeted and secured, with overheads as a percentage of turnover having fallen for the 4th year in succession and now stand at 10.28% and sees us move into the upper quartile when compared to our peers. This is a particularly pleasing result given our turnover is relatively low compared to others given the relatively low average rent levels within Preston. This has been achieved through a focus of procurement and the introduction of more efficient working practices. Our maintenance costs remain low, while still achieving strong levels of performance and high rates of satisfaction. Major repair costs also remain low, currently at £570 per unit. We are aware that this is a temporary position that is primarily driven by the cyclical nature of our major investment programme. Over the long term our average cost per unit in this area is estimated to be between £900 and £1,000, which would see our overall cost per unit rise to around £3,000. This would still place us at the lower end of the benchmarks, demonstrating an efficient business model. Looking forward we will continue with the same approach, making informed choices about investment whilst retaining a focus on delivering the approved efficiency programme.

Our tenants opinion on the value for money they receive for the rent they pay is an important measure for the Board, and provides a good challenge as to whether our priorities for investment and the ongoing drive to operate more cost effectively are being targeted in the right areas and are having a positive effect. We are pleased to see that the latest STAR survey results confirmed further improvements in this area, with satisfaction increasing by a further 2.9% to 89.0% - and seeing us placed in the top quartile when benchmarked against our peers. Overall, since CGA was established satisfaction in this area has consistently improved from a base of 73.9% and the latest results are particularly pleasing given the increased financial challenges being faced by many of our tenants and the ongoing implementation of our efficiency programme.

Getting a return from our assets

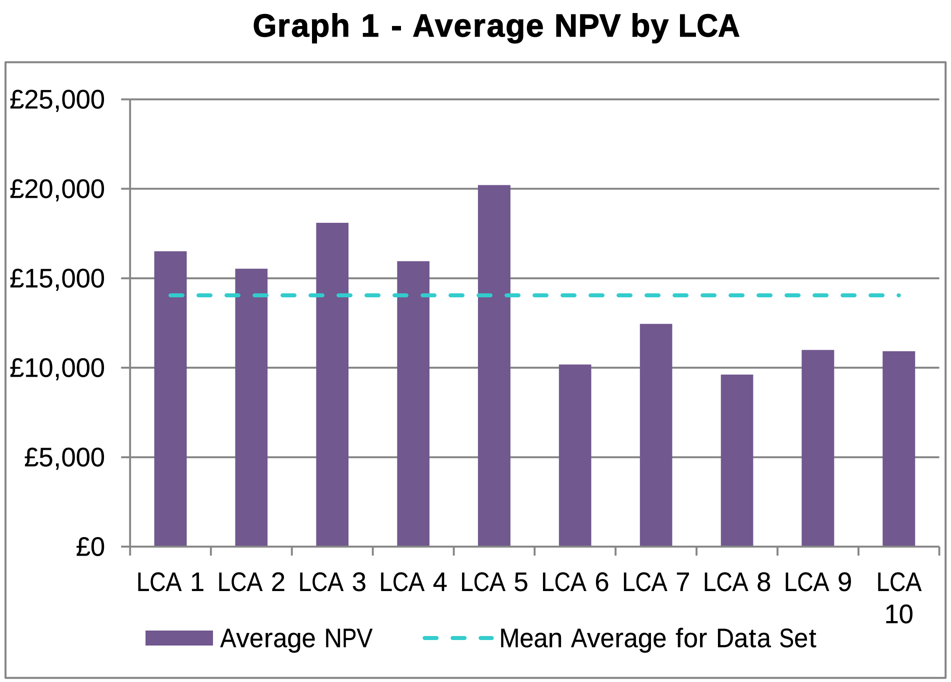
The Board recognise the importance of considering long term viability decisions on how and where we target our resources to secure the best return from our assets if we are to continue to respond to the financial challenges facing our organisation as a result of welfare reform, reduced rental income, demographic changes and increasing customer expectations. The need to deliver savings and demonstrate value for money has meant there is an even greater need to ensure our assets are being used to maximum benefit.

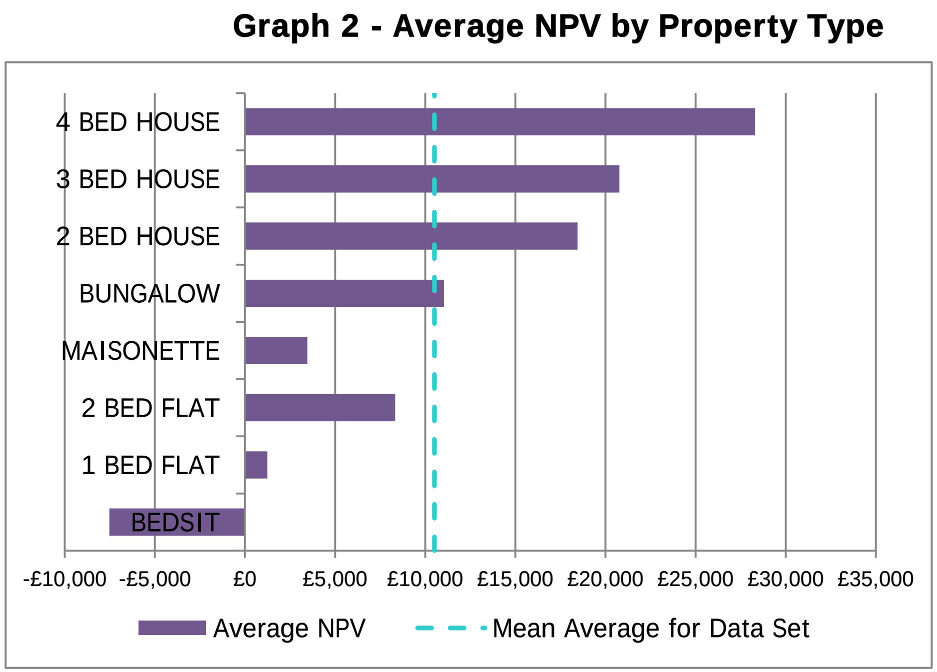
This approach requires a full understanding of the long-term financial value and performance of our assets and requires us to use the comprehensive data we have built up to make strategic decisions around whether to continue to invest in maintaining existing properties, or whether alternative options should be considered in order to evolve our housing stock and provide homes and estates that better meet the existing and future needs of our customers.

To enable us to do this we have continued to refine the information we hold in our Asset Management Information System (AMIS) while continuing to use it to guide our investment decisions and carry out individual appraisals to inform decision making about specific homes and schemes. During 2016/17 we have used the information to inform our fencing and environmental works programme, undertaking projects in LCA 6 and LCA 8 in consultation with our tenants, as a result of negative indicators flagged on AMIS and also used it to consider the divestment of one of the few high value void properties which became available during the year. We have also undertaken valuations to all our homes and updated this information in our AMIS and we are looking to further refine the system during 2017/18 to ensure we have a system which is more closely integrated to our core information systems; allowing us to undertake more comprehensive NPV modelling of investment decisions.

Our updated information shows that although some of our properties have a low NPV compared to others, the large number of flatted accommodation owned (approximately one third of all stock), combined with the low market value of much of our stock and their estate based location mean it is extremely difficult for us to generate a sufficient return by selling the properties to provide for the greater than one-for-one replacement needed to demonstrate VfM and meet our growth aspirations. Only 83 of our properties have a market value of over £125k, 51 of which are new build or recent acquisitions. This leaves only 32 properties that could be considered for disposal via market sale to provide a return.

Whilst there remains a difference in the financial performance between different areas, all areas indicate a positive net present value ranging from £9,622 to £20,209 as shown in the Graph 1 below "Average NPV by LCA". The key differing factor in the financial performance of our stock remains the property type; bedsits, flats and maisonettes achieve a significantly lower NPV than our houses as can be seen in the Graph 2 - "Average NPV by Property Type".


Graph 1 - Average NPV by LCA
£25,000
£20,000
£15,000
£10,000
£5,000
£0
LCA 1
LCA 2
LCA 3
LCA 4
LCA 5
LCA 6
LCA 7
LCA 8
LCA 9
LCA 10
Average NPV
Mean Average for Data Set

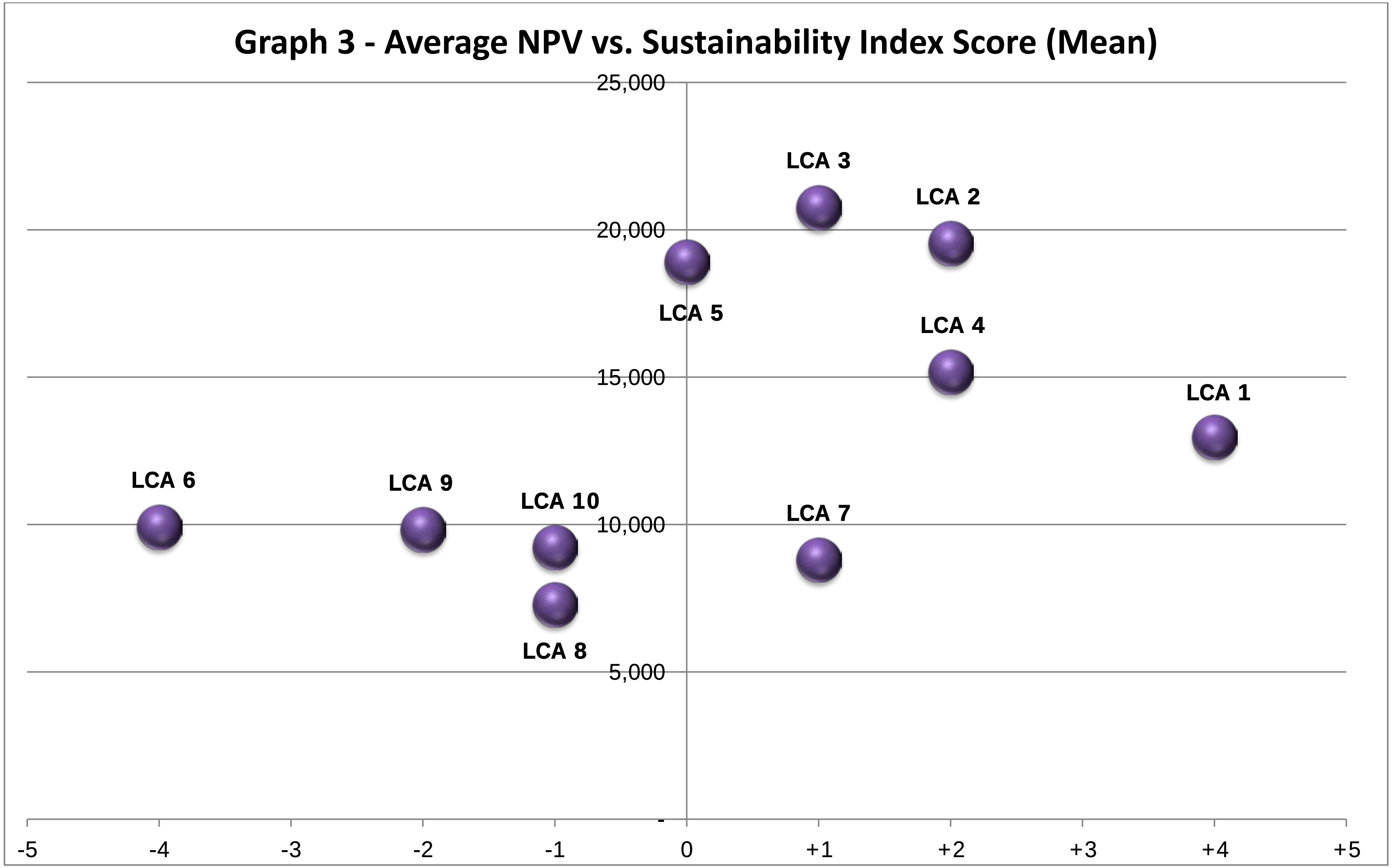

Graph 2 - Average NPV by Property Type
4 BED HOUSE
3 BED HOUSE
2 BED HOUSE
BUNGALOW
MAISONETTE
2 BED FLAT
1 BED FLAT
BEDSIT
-£10,000
-£5,000
£0
£5,000
£10,000
£15,000
£20,000
£25,000
£30,000
£35,000
Average NPV
Mean Average for Data Set

As a result of our increased intelligence, CGA reviewed its Asset Management Strategy in early 2017 to focus our activities in 3 key areas - maximising asset performance whilst ensuring we meet customers needs and deliver effective and efficient programmes.

As part of this revised Asset Management Strategy we have formalised our approach to undertaking option appraisals, using information from AMIS to identify 5 schemes per year on which to undertake a formal option appraisal using our newly developed Retention, Divestment & Investment Framework, with the aim of improving the average NPV of our stock by 5% by 2022. Each Option Appraisal considers all options including doing nothing, minimum/maximum investment or divestment via a variety of routes. Assessments are carried out using different potential income streams and take into account not only financial factors, but also a number of non-economic factors identified as improtant by our customers. Overall recommendations are based on both the financial and non-financial elements of the appraisal.

The option appraisals are led by our Investment Steering Group which comprises of colleagues from across the organisaiton. In addition to completing the formal option appraisals, the group meet every month to consider any issue that can impact on the value, viability and use of our assets including assessment of high value or high cost void properties. This results in collective decisions on stock which is difficult to let, in low demand, problematic or requires a disproportianately high level of investment. .

The difference in financial performance between our differing property types and the limited range of properties owned by CGA mean that it is important that we consider a variety of issues when assessing our stock and undertaking our option appraisals, in particular the wider social and environmental return on our investments. Graph 3 below shows how our stock performs when the financial return is compared to a range of selected sustainability indices including satisfaction, demand and turnover.


Graph 3 - Average NPV vs. Sustainability Index Score (Mean)
25,000
20,000
15,000
10,000
5,000
-
-5
-4
-3
-2
-1
0
+1
+2
+3
+4
+5
LCA 1
LCA 2
LCA 3
LCA 4
LCA 5
LCA 6
LCA 7
LCA 8
LCA 9
LCA 10

As can be seen, although all areas are providing a positive financial return, 4 of our areas have a negative sustainability score. This is an improvement of 1 from last year with the poorest performing area, LCA 6, which was an area of focus during 2015/16 and 2016/17 improving its sustainability score from -6 last year to -4 this year, which followed a 27% increase in its NPV the previous year.

CGA also has a number of non-housing assets that continue to be effectively managed:

- **Garages:** Approximately 40% of our 198 garages are void. We have identified 7 sites where occupancy and demand is particularly low and high levels of investment are required. Demolition of these sites will provide limited opportunities for development but will reduce on-going maintenance costs. These potential development sites have been captured on our Assets and Liabilities Register and development and regeneration schemes will be worked up when funding allows.
- **Commercial Properties:** We have 33 shops which we let out on commercial rents to support the needs of our communities. These units perform well for the organisation with high levels of occupancy and low void levels and rent arrears. An option appraisal carried out on these units during 2016/17 showed that overall, our commerical properties produced a positive NPV for the organisation of £2.3m. There are however some local variations between these schemes, particularly those units which have maisonettes located above them and we have therefore focused on indivudual sites to determine the best local solution, beginning with an option appraisal on one of the poorer performing schemes which is being undertaken in 2017/18.
- **GatewayGreen Care Depot:** During the year we also relocated our works depot to Chain Caul Way. This followed a comprehensive options appraisal that resulted in our works depot being re-sited to a preferential location in terms of size and accessibility and also securing an annual cost reduction of £30k (equating to approximately 20% per annum) from April 2017 onwards.

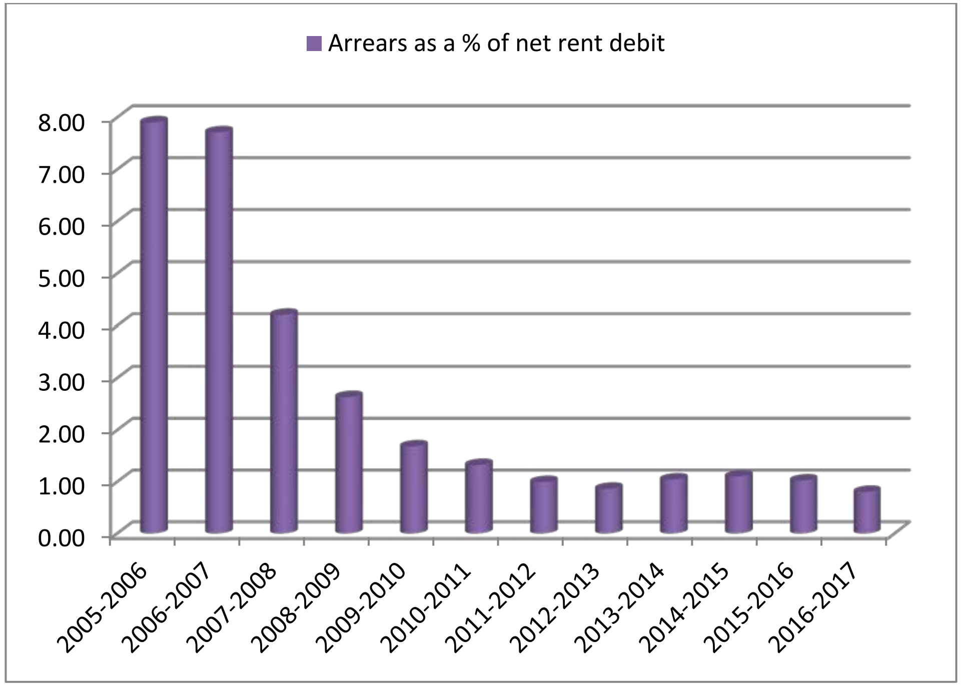
Maximising Performance

The relatively low market value of our homes and their limited range mean that our primary asset is therefore the rental income that our homes generate and our liabilities in the main lie in the costs of managing these homes. If we are to secure the greatest return from our assets in order to invest in new homes and deliver our corporate, social and growth objectives, we must continue to be innovative in our approach to maximising the income from our assets and reducing our cost liabilities.

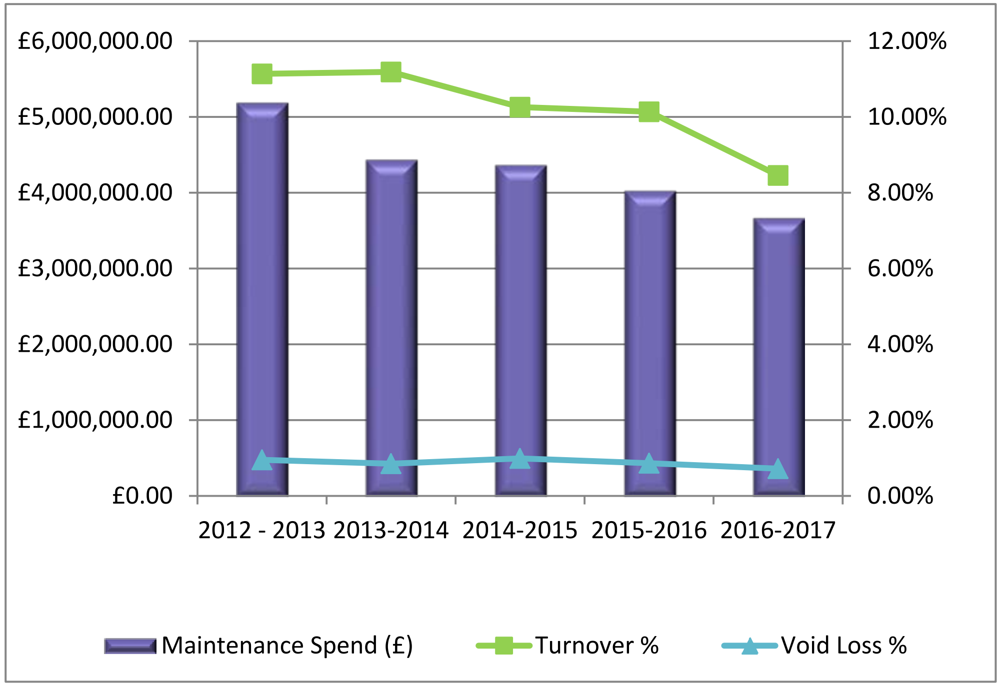
Graph 4 shows the sustained improvement in relation to the collection of our rental income which continues to outperform our operational and business plan targets. During 2016/17 our revised Tenancy Support Team and amended working practices assisted our Income Collection Team to collect 100.21% of our rent, reducing our arrears as a percentage of net rent debit to 0.8% which, despite the many challenges faced as a result of welfare reform, was our best result in CGA's history.

Graph 5 below shows the overall progress we have made in maximising the performance of our assets through robust performance management and focused action. Gateway PropertyCare have continued to deliver efficiencies whilst improving customer satisfaction, significantly reducing one of our largest areas of spend (maintenance) whilst at the same time we have secured additional income through reduced void rent loss and reduced terminations with turnover continuing to fall to our lowest level of 8.36%.

Graph 4 - Arrears as a % of net rent debit



Graph 5 - Maintenance, Turnover, Void Rent Loss %



As well as actively managing our existing assets we have continued to develop much needed new homes as part of our development strategy. During the year we have acquired, built and let a further 30 homes, investing over £2.9m in these schemes, and in doing so are on track to deliver the programme of development agreed with the HCA under the Affordable Homes Guarantees Programme and the 2015-18 Affordable Homes Programme. Highlights in the year include:

- Entering into contract through two S106 agreements with a private developer, Story Homes, which delivered 10 homes in Clitheroe and a further 5 in Preston;
- Continuing to develop purchase and repair properties, with all refurbishment work being undertaken by Gateway PropertyCare and the projects now being managed by our in-house development surveyor, negating the requirement to employ external consultants resulting in an estimated saving of £800 per property;
- Following on from our first successful Community Led Development on Overton Road the second Community Led Development commenced in Ingol towards the end of the financial year which will see the delivery of 8 bungalows and 2 locally acquired purchase and repair properties;
- We have also continued with the development of Phase 1 of the Savick Master Plan, which will see 10 homes built across three sites within our ownership following a successful bid to the Homes and Communities Estate Regeneration Fund that attracted £64k to contribute towards expenditure on resident consultation, survey fees and the appointment of consultants.

As a Board we regularly assess the progress on development and implementing our development strategy. Following the Emergency Budget we have reviewed our plans and during the year the Board have approved a Growth Strategy that has set a stretching target for CGA to own and manage 7,000 homes by 2022. To achieve this target we need to achieve net growth of 827 homes over the next five years, (circa 13%). To achieve this we will need to continue to build on the positive relations we have with local partners, commercial developers, neighbouring housing associations and the HCA to continue to develop suitable opportunities. We have the finances in place to deliver 272 of these homes and will progress our refinancing review during the coming year to establish the best route for accessing the additional capital financing that is required to deliver the target in full.

VfM gains and reinvestment

The Emergency Budget in July 2015, in particular the 4 year rent reduction, led to a comprehensive review of our financial plans. The impact on our income was significant, requiring £8.3m (8%) to be saved over the 4 year period and recurring cost savings of £3.5m per annum from April 2020 onwards. In order to achieve the overall £8.3m target a savings target of £1.2m was set for 2016/17. As highlighted in the financial performance section above we have made excellent progress in the first year having exceeded the target. Of the total £2.1m savings achieved, £1.9m are recurring savings and have been reflected in the budget for 2017/18 and future years. The table overleaf summarises the savings made.

Activity Area	2016/17 Savings Target £'000	2016/17 Savings Achieved £'000	Assessment	Key Achievements
Management	1,019	1,600	Target exceeded	• Implemented revised staffing establishment following review of priorities, standards and working practices. • Improved efficiency of our resources (re-procurement of contracts, review of our accommodation costs, reduced printing costs through printing in black and white and double sided, holding managers strategy days at Harbour House rather than an external venue).
Repairs & Maintenance	211	522	Target exceeded	• Lower number of voids and a 14% reduction in cost of void repairs. • Re-procurement of void clearance contract saving £60k (21%) per annum over the life of the contract.
Total	**1,230**	**2,122**	**Target exceeded**	

Investment Programme

In response to the Emergency Budget we also revised our investment standard – our Homes Standard. We are currently in the process of implementing this revised programme of investments, which when fully rolled out are estimated to achieve savings of £26m over the life of the business plan. In addition to this we are also keen to exploit further efficiencies where they are available and during the year we have invested resources in two key areas that will see savings delivered over the short and medium term:

- Boiler replacement programme that led to a 20% reduction in breakdowns, freeing up 166 working days per annum that was utilised to carry out gas installations that were previously outsourced;
- Implementation of high quality communal lighting and targeted security lighting to reduce ongoing repair costs and to improve tenancy sustainment.

Working efficiently and providing social value

At CGA VfM is not just about achieving increased efficiency. We recognise the importance of CGA remaining committed to its social purpose, and that is why social value is one of the key objectives within our VfM strategy and is a central feature of our Corporate Plan. We continue to use our resources to invest in our tenants and their communities and are prepared to use the surpluses that we have generated through more efficient working practices. We will accept lower returns on some activities in order to achieve our social value objectives.

Some of our achievements over the past year have been:

- Providing support to 75 community and voluntary groups and, although we have reduced our funding to such groups during the year, with a targeted investment in groups which are at the heart of our communities we have:
    - targeted groups that support young people involved in social, educational and diversionary activities within our neighbourhoods, resulting in 1184 young people engaged in activity; this included 2 Park It Events in the Summer of 2016, the #makeanoise event and the ongoing work with Young Gateway Action Group (YGAG).
    - focused on activities which combat social isolation and health and well-being, with an emphasis on older people within our communities. We were able to secure external investment of £39k and, alongside our own investment of £29k, we were able to engage with almost 9,000 people as part of this activity.
    - Gateway2employment has developed as our programme to maximise employability skills across our neighbourhoods. This programme offers tailored support to get our people back into employment or training and covers Job Search, Work Experience, Pre-apprenticeship

programmes, Apprenticeships, Training, Volunteering and 1-2-1 support. In 2016/17 our performance was as follows;

- £65,354 of external funding secured for employment and financial inclusion projects
- 219 days of work place employment related activities
- 10 people on the apprenticeship pathway
- Job Club - 31 people attend Sion Park Job Club with 9 people into employment
- 87 Volunteers registered covering governance, community groups & hubs, minibus drivers and YGAG

- Support to involve residents in CGA, central to the Gateway model has resulted in increased involvement in CGA. This year we have increased membership to over 4,300, exceeded our targets for regular and active involvement opportunities and increased overall satisfaction with opportunities to be involved to 78.6% (74.2% in 2015/16).
- Providing our tenants with a range of money advice and wider tenancy support to help sustain tenancies and contribute to their continued financial and social well-being. Successes include securing over £2.1m of additional financial support for our tenants, exceeding our target by more than £300k. We continued to work with other partners including the Salvation Army to provide food parcels to our most vulnerable customers and over 120 children benefitted from toy parcels in our Christmas appeal, funded by donations from staff.
- Staff also make a community activity pledge (CAP), whereby they undertake to be involved in a community activity, supporting a wide range of groups and activities.

What we plan to do next

We recognise that we can and must always strive to do more, to continue to improve the cost effectiveness of our services, to get a better return from our assets and to invest our resources wisely so that we are able to provide more social value. Looking ahead we have a challenging programme of work that includes:

- Delivery of our Growth Strategy targets for 2017/18 which set out our growth aspirations in the areas outlined below
    - to increase in stock size to 6,203 by 31st March 2018, enabling us to spread our overhead costs over a greater number of units, thereby reducing our unit costs;
    - to increase operational efficiency by £500k by 31st March 2018 by generating additional income through growth and by securing cost savings through the internal delivery of investment works, creating further capacity to help deliver our growth aspirations and reinvest into service areas in line with our Corporate Strategy;

- To carry out a review of our current treasury management arrangements, with a view to increasing our borrowing facility in order to provide funding capacity to enable us to deliver our Growth Strategy objectives;
- Go live with our Gateway Connect project, improving business systems and enabling more efficient and effective service delivery;
- Sustain our active approach to procurement by reviewing our materials contract, vehicle fleet contract and commercial cleaning contract;
- Undertake the 5 option studies of poorly performing stock identified through the AMIS and identify actions in line with our Retention, Divestment, and Investment Framework.

Our Overall Assessment

CGA complies with the VfM standard due to our:

- Well established and comprehensive decision making framework that supports informed decisions on how resources are best utilised to meet our corporate objectives. This is evidenced by our ongoing achievements, some of which are highlighted above;
- Approach to asset management that demonstrates a good understanding of our assets, their value and how they are used to support the cost effective delivery of our corporate objectives. This is evidenced through the increased development of new homes afforded through the targeted use of our operating surpluses, the successful conversion of properties to affordable rent, the targeted disposal of non-core and poorly performing assets to supplement the funding of our development programme and the continued focus on the sustainability of tenancies and how we can better support this through a keener understanding and more active management of our assets;
- Robust performance management and scrutiny functions that actively contribute to the overall business effectiveness and the provision of an increasing number of good quality cost effective services. This is demonstrated through the monitoring of service provision against agreed KPIs, the influence of customer feedback and wider understanding of how others perform in the sector all contributing to how we develop and improve our services for the benefit of our customers;
- Good understanding of our costs and cost drivers, and the informed mix of identified cost savings and targeted investment in services. The use of benchmarking, both cost and quality, is a key part of our business and is regularly used to inform service improvement programmes, budget and financial planning and new business appraisals.

Looking back, most of the improvement areas identified in our previous VfM self-assessment have been effectively addressed and we have robust governance arrangements and management controls in place to lead on the delivery of objectives for the coming year.

This assessment, together with the Directors Report and Financial Statements, provide a clear understanding of how we are using our assets to deliver our corporate objectives, provide clarity on our costs and current performance levels and how these compare to other similar organisations and demonstrate the VfM gains that have been made.

In summary, CGA has an effective framework for delivering VfM and by continuing to listen to and work closely with our customers and wider stakeholders we will build on our successes and identify and implement improvements to asset management and service delivery that will see us successfully achieve the objectives and outcomes set out within our corporate plan and in doing so make a significant contribution to the sustainability and growth of our communities and increase the social value provided to our customers.

Further information

Stakeholders can find more information on VfM at CGA on our website, www.communitygateway.co.uk/value-for-money. This includes the VfM Strategy, the 2016-19 Corporate Plan, the Directors Report and Financial Statements for the year ended 31st March 2017 and a range of other documents referenced in this report.

I.Bailey

Irene Bailey
Chair of the Board

Compliance

Governance and Viability Standard

A review has been undertaken to assess CGA's current level of compliance against the HCA Governance and Financial Viability Standard. In summary, of the 21 areas of the Standard requiring a statement of compliance, CGA is able to evidence compliance in all areas. Our robust governance arrangements have also been assessed by the social housing regulator, the Homes and Communities Agency (HCA), with CGA currently graded as G1 (the highest level of compliance).

National Housing Federation's (NHF) Code of Governance 2015

CGA's Board have also adopted the National Housing Federation's (NHF) Code of Governance 2015. In summary, of the 66 'Provisions' within the 2015 Code requiring a statement of compliance, CGA is able to evidence full compliance with all 66 provisions.

Accounting Standards

In preparing the Report of the Board of Management, the Board has followed the principles set out in the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Going concern

The Board of Directors confirms that it is a reasonable expectation that CGA has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it has adopted the going concern basis in preparing CGA's financial statements.

Internal control and risk management

The Board has overall responsibility for the system of internal control and risk management and for reviewing its effectiveness. The Audit and Risk Committee is responsible to the Board for monitoring this system and reporting on its effectiveness.

Review of internal controls

The internal control framework is designed to manage and reduce, rather than eliminate the risk of failing to achieve the objectives of the business. It can only provide the Board with reasonable, and not absolute, assurance against material misstatement or loss.

The key features of the system of internal control include:

- An established management structure operating across CGA with clearly defined levels of responsibility and delegated authorities. To support this, CGA has Standing Orders and Financial Regulations that are reviewed annually by the Board;
- A robust risk management system (including health and safety) established by the Board to enable the identification, evaluation and management of the strategic and operational risks faced by CGA;
- Adopting and complying with the principal recommendations of the National Housing Federation's 2015 Code of Governance and accepting this as CGA's code of good practice;
- Audit & Risk Committee assurance – the Audit & Risk Committee meets regularly with members of the Corporate Management Team and the internal and external auditors to review specific reporting and internal control matters, and to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Committee also reviews any follow-up action to correct identified weaknesses. All Board members receive the minutes of all Audit and Risk Committee meetings;
- Internal audit assurance – CGA's internal audit function is provided by BDO and is based around a three year risk-based programme of reviews that is designed to review key areas of risk. The Audit & Risk Committee review and approve the audit programme on an annual basis and receive an annual control assurance report from the internal auditors on behalf of the Board;
- External audit assurance – the work of the external auditors provides some further independent assurance of the internal control environment, as described in their audit report. The external auditors provide a management letter identifying any internal control weaknesses. In accordance with best practice, the Audit & Risk Committee and the Board consider this letter;

- Well established procedures that ensure the employment, retention, training and development of suitably qualified staff to manage the activities of the business;
- Comprehensive Board member appraisal and training programme to ensure that Board members remain professionally updated and are equipped with the skills to meet the needs of the business;
- The preparation and monitoring of budgets and long term business plans that enable the Executive Leadership Team and the Board to regularly review financial performance throughout the year and investigate and act upon any key variances;
- The Board approve the treasury management policy and strategy on an annual basis and review treasury management activity on a regular basis;
- A clear process for reviewing all investment decisions – all such major decisions are subject to appraisal and approval of the Executive Leadership Team and, where appropriate, the Board;
- A register of frauds and attempted frauds is in place and is reviewed regularly by the Audit & Risk Committee on behalf of the Board;
- A strong ethical and performance management framework embedded into the culture of CGA with reporting designed and implemented to give the Board and Tenant Scrutiny Group a regular and clear picture of performance and facilitate prompt remedial action if necessary.

Review of risk management

CGA has embedded a culture of risk management. The ongoing process to identify, evaluate and manage the risks faced by CGA has been in place throughout the year up to the date of approval of the report and financial statements.

CGA's has a fully embedded Risk Management Strategy setting out CGA's strategic approach to managing risk. The strategy is supported by a Risk management Framework. The Audit and Risk Committee plays a key role in the risk management framework and in seeking assurance that CGAs risks are being managed and that relevant policies and processes are being followed. Corporate and management risk registers are reviewed by the Audit and Risk Committee at each meeting with all updates and changes to the risk registers reported to the Committee. The Corporate Risk Register is also considered in detail by Board at its quarterly performance review meetings.

In order to provide the required assurance to both Board and Audit and Risk Committee members, that risk is being effectively managed, resourced, and where necessary, mitigated, the corporate and management risk registers are reviewed on a bi-monthly basis by the Risk Review Group (RRG), a group chaired by the Director of Resources and consisting of members of CGA's Senior Management Team.

In meeting its responsibilities the Board has adopted a risk based approach to internal controls which is embedded within its governance and management processes. This approach includes the regular evaluation of the nature and extent of risks to which CGA is exposed and is consistent with guidance on Internal Controls Assurance inherited from the Housing Corporation.

The Board has delegated authority to the Audit & Risk Committee to review the effectiveness of internal control regularly, and has received regular reports from this committee throughout the year under review. The Audit & Risk Committee has received the Chief Executive's annual report on the effectiveness of internal controls, together with the annual report from the internal auditor, and reported its findings to the Board.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2017 and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss which require disclosure in the financial statements.

Post statement of financial position events

CGA considers that there have been no events since the financial period-end that have had a significant effect on the financial position of the company.

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

KPMG LLP have expressed their willingness to continue as CGA External Auditors. A resolution for the re-appointment of KPMG LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

Rob Wakefield

CGA Secretary

Strategic Report for the year ended 31 March 2017

Operating Context

CGA continues to perform strongly despite a challenging operating environment. Following the Government's 2015 Summer Budget, which brought financial challenges for CGA, 2016/17 saw the commencement of a 1% rent reduction for a four year period. This resulted in a significant reduction in income for CGA, with cost savings having been secured while retaining the focus on our core principles and ensuring that we continue to provide high quality, cost-effective services that meet the needs of our customers.

In addition welfare reform continues to present a range of challenges for both CGA and our tenants and the level of grant available from the government to support much needed new development, particularly the development of affordable rent properties, is significantly reduced.

In order to respond to these challenges it is necessary for CGA to make best use of all its assets so that we can continue to invest in our existing homes and services, develop much needed new homes, provide our tenants with a range of services and increase the social value provided to our tenants and the wider community.

A review of the year

During 2016/17 we commenced our new 3 year corporate strategy for the period 2016/19 and undertook a range of activities that built on our achievements in previous years. Our new Corporate plan has three strategic themes, being Our People, Quality Homes & Sustainable Tenancies and Finance & Growth. Highlighted below are some of the key achievements from 2016/17:

- The Board remains suitably skilled, managing turnover amongst its tenant and independent Board Members effectively during the year and securing further knowledge in key business areas, such as development, as part of the process;
- We retained the 3 star extraordinary rating from the Best Companies survey conducted in October 2016. CGA achieved 10th place in the Sunday Times Best 100 (not for profit) Companies to work for in 2017 and was placed as the 4th best housing association. Colleague engagement remains high with absence levels and turnover continuing to improve;
- ROSPA Gold has been achieved for the 7th consecutive year. This achievement is testament to the support and investment in our Health and Safety Team and the culture of the organisation which prioritises and actively manages health and safety performance;

- We have achieved upper quartile performance in the 2016 STAR survey, with 95.65% of our customers satisfied with the services provided. Customer satisfaction with their 'neighbourhood as place to live' is also strong at 86.47%;
- Exceeded many of the targets set at the start of the year, with our rent collection rate being above 100%, rental arrears now below 1%, tenancies becoming increasingly stable with turnover now standing at 8.4% and rent lost through homes being empty at 0.8%;
- During the year we increased our stock by 30 units through the acquisition and development of new homes and in line with our Growth Strategy, we updated our Development Strategy with revised targets to increase in stock size to 7,000 units by 2022;
- We have improved cost effectiveness of the delivery of the Investment Programme with Gateway Property Care (GPC) completing £2.233m (59%) of investment works, increasing from 37% in 2015/16;
- We have strong Financial Management demonstrated through our compliance with the Financial Viability Regulatory Standard, and through the controlled and measured way we implemented the implications of the 1% rent cut from April 2016, delivering savings in excess of the required target of £1.2m.

Future Prospects

As detailed above the Board approved the first edition of the corporate plan in March 2016, with the plan to be implemented over the three year period beginning April 2016. As part of its annual review cycle the Board has reviewed the plan to ensure that it remains appropriate, recognising that the housing sector is experiencing a significant degree of change.

The review was concluded in March 2017 with the Board confirming that the plan remains relevant, with three strategic themes being Our People, Quality Homes & Sustainable Tenancies and Finance & Growth supported by the ten objectives still setting a clear and appropriate strategic direction.

The plan has been updated to reflect the changes to CGA's empowerment and involvement structure, centred on the establishment of Gateway Central. In addition, the Board has agreed some amendments to the strategic actions and measures in response to changes in the operating environment and decisions taken by the organisation during the year.

Summary Financial Results

Financial Headlines

We have a robust financial strategy in place and delivered solid financial performance in 2016/17. We recognise the importance of being financially strong and this enables us to continue to invest in our existing homes, build and acquire new homes and provide a wide range of services to our tenants. By remaining financially strong we also ensure that we have the capacity to manage change and remain resilient to the risks that we face as a housing provider. Financial headlines include:

Statement of Comprehensive Income

- During the year turnover £31.103m (2016: £29.767m), being an increase of 4.49% on the previous year principally due to an increase in sale proceeds following the sale of 27 properties through the Right to Buy initiative (2016: 19) and 10 properties sold through the Right to Acquire initiative (2016: 5);
- Operating costs in the year were £18.676m (2016: £21.063m), being a decrease of 11.33% in comparison to the previous year principally due to a planned decrease in Management expenditure;
- The net cost of interest payable decreased by £0.069m to £3.469m (2016: £3.538m) following the repayment of £5m of the revolver facility, and a fall in the interest payable on both pension funds;
- A surplus after tax for the period of £6.632m (2016: £4.021m).

Statement of Financial Position

- The value of CGA's housing properties at historic cost totalled £142.258m (2016: £140.953m). This increase reflects the ongoing capital improvement and development work during the 2016/17 financial year;
- As at the 31 March 2017 drawn loans totalled £53m of our £70m facility;
- Our revenue reserve (including pension liability) now stands at £33.262m.

Reserves

CGA has reserves of £33.262m, equating to £5,388 per property. This surplus has been generated from the surplus on the Statement of Comprehensive Income offset by the pension liability.

Pension Costs

CGA participates in three pension schemes, being the Lancashire County Council Local Government Pension Scheme, the Social Housing Defined Benefit Pension Scheme and the Social Housing Defined Contribution Scheme. CGA is fully compliant with the requirements of auto-enrolment and all eligible employees are auto-enrolled into the Social Housing Defined Contribution Pension Scheme. A further review of CGA's pension schemes is due to take place during 2016/17.

Right to Buy/Right to Acquire Sales

In relation to property sales, a Right to Buy (RTB) sharing agreement exists with Preston City Council which was agreed at transfer. RTB sales totalled 27 in the year, generating total receipts of £1.163m of which £0.768m has been paid to Preston City Council under the RTB sharing agreement. There were 10 property sales under the Right to Acquire scheme generating receipts of over £695k.

Risk & Regulation

CGA continues to manage its key financial risks during the year, with a clear focus on income recovery, cost control and treasury management. Performance in the year supports this focus with rent collection rates remaining high at 100.21% and arrears standing at just over 0.8% at the 31st March 2017. Similarly, cost control was strong with spend on operational management and maintenance activities and our proactive approach to treasury management ensured that we retained sufficient cash to fund our activities and we utilised our revolving loan facility to minimise our borrowing costs.

Treasury Management

Treasury Policy & Capital Structure

CGA's treasury policy is to retain minimum cash whilst ensuring sufficient funds are available to resource our operational management and maintenance activities and support the ongoing improvement and development programmes. Cash projections are used to continually monitor future borrowing requirements.

The borrowing strategy, which is approved annually by the Board, is to aim over time to fix interest rates on 70% of debt on a rolling 5 year rolling average basis in order to reduce exposure to any future interest rate increases and to create a degree of guarantee over future interest payments. CGA's fixed rate loans at 31 March 2017 are as shown in the table below.

Interest rate Fixings	£	Date of Fix	Term
Fixed Rate Loan	10,000,000	28 November 2007	20 Years
Cancellable SWAP	10,000,000	28 November 2007	20 Years *
Fixed Rate Loan	10,000,000	30 June 2008	17 Years
Fixed Rate Loan	10,000,000	30 June 2009	14 Years
Fixed Rate Loan	10,000,000	30 June 2010	10 Years

*assuming SWAP not cancelled

Loan Facilities

In September 2013 CGA refinanced and a £70m loan facility was agreed. In line with current market conditions the new £70m loan facility provides medium to long term security, with the loan maturity ranging from 10 to 20 years.

Cashflow and Liquidity

The net cash outflow from operating activities before interest costs was £8.534m. Bank balances and short term investments were £3.630m at the year end and borrowing totalled £53m.

Principal Risks and uncertainties

As highlighted in the Report of the Board of management we have developed a robust risk management framework that enables the identification, assessment and active management of a range of strategic and operational risks. This framework, led by the Board and overseen by the Audit & Risk Committee, seeks to ensure that the corporate objectives can be successfully delivered and any impact on the organisation is minimised.

The key risk areas include:

- Pressures on our income streams through the continued implementation of welfare reform and the reduction in grant funding for development and supported housing services;
- Pressures on our costs as a result of price increases as a result of the impact of Brexit;
- Ensuring that we maintain our financial capacity to invest in existing homes and new development whilst not having an overambitious development programme that threatens the financial health of the company;
- Remaining vigilant on all matters concerning health and safety through the effective maintenance of our stock and having in place appropriate working practices.

- Managing the implications of changes to legislation ensuring that CGA remains fully compliant with HCA standards.

Continued strong governance, clear leadership and effective management are essential in order that we are able to manage the broad range of risks and challenges facing CGA and the wider housing sector. We believe that the Board, working in partnership with our staff and tenants, are well placed to meet these challenges and continue to ensure that CGA remains a successful tenant-led organisation.

Diane Bellinger
Chief Executive

Corporate Governance

The Board

The Board is committed to achieving the highest standards of corporate governance. The term 'corporate governance' generally refers to the supervision of how an organisation is run and how the risks to its business are managed. It embraces compliance with all laws and regulations, and fosters a culture of openness and integrity.

The Board of Management meets on a on a bi-monthly basis with Board Planning events held twice yearly. Additional meetings may be called by notice as required. The Board is responsible for exercising all the powers of CGA. It directs CGA's affairs by setting strategies and policies. Day to day management is delegated to CGA's Executive Officers, who are appointed by the Board. All Board members have responsibility for its decisions. Each acts only in the interest of CGA and not on behalf of any constituency or interest group.

The members of the Board have a range of skills, experience and qualities required to take decisions and monitor CGA's performance. The Board consists of 5 tenant members, 4 independent members and 2 members nominated by Preston City Council. It is a unique feature of CGA that the largest single group on the Board are tenants. Tenant Board members have the same rights and responsibilities on the Board as other Board members.

As part of CGA's organisational development programme, the Chair and Vice Chair of the Board have carried out performance appraisals for each individual Board Member. Following this, individual development requirements are fed into a Board Development Programme, designed to further improve CGA's corporate governance.

CGA continues to follow best practice with regard to corporate governance and fully complies with the National Housing Federation's Excellence in Governance – Code for Members 2015.

Delegation

The focus of the Board is on CGA's strategy, though it also has responsibility for overseeing performance. The Board delegates certain governance responsibilities to committees, which have their own approved terms of reference. Day-to-day performance management is delegated to the Chief Executive, who in turn leads the Executive Leadership Team.

The committees supporting the Board and the governance arrangements during the year under review were the:

Audit and Risk Committee

This committee's primary role is to independently contribute to the Board's overall process for ensuring that an effective internal control system is maintained and to oversee the implementation of the risk management strategy.

Finance and Development Committee

During the year CGA's Governance Structure was reviewed and Board approved the dissolution of the Finance and Development Committee, with all delegated responsibilities returned to the Board with effect from September 2016 to allow the Board more direct stewardship of the organisations financial affairs.

Gateway Tenants Committee (GTC)

As part of the review of CGA's governance arrangements, a review of the Gateway Tenants Committee (GTC) also took place. The review, overseen by GTC, proposed changes to the rules of the Association in relation to tenant involvement. The following key changes were approved at a Special Annual General Meeting on 16th March 2017:

- The introduction of six action groups enabling members to be involved in issues which were of particular interest to them;
- Replacing GTC with Gateway Central, comprising of the 6 Chairs of the Action Groups and the five Tenant Board Members;
- Tenant Members of the Board appointed directly from the wider membership rather than having to first serve on GTC.

Remuneration and Appointments Committee

This committee considers matters relating to the remuneration of the Executive Leadership Team and is also responsible for reviewing the Association's policy on employee remuneration and benefits and appraising the performance of the Chief Executive.

The Executive Officers

The Executive Officers are listed on page 2 of this report. The Executive Officers are responsible for the day to day management of CGA and meet on a weekly basis. The meetings are chaired by the Chief Executive. The Executive Officer's hold no financial interest in the company and are not members of the Board.

Remuneration

The Board members at CGA do not receive a salary, but do receive reimbursement expenses.

Pensions

None of the Board members enjoy any pension benefits from CGA.

Approval

This strategic Report was approved by order of the Board on 13th July 2017.

Rob Wakefield

CGA Secretary

Independent auditor's report to Community Gateway Association Limited

Opinion

We have audited the financial statements of Community Gateway Association Limited ("the association") for the year ended 31 March 2017 set out on pages 51 to 77 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the association as at 31 March 2017 and of its income and expenditure;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Report of the Board, Value for Money, Internal control and risk management and Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 37, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Amanda Latham

Amanda Latham
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
Date: 25th September 2017.

Statement of Comprehensive Income

For the year ended 31 March 2017

Statement of Comprehensive income for the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	*2*	31,102,932	29,766,781
Cost of sales	*2*	(2,356,170)	(1,162,349)
Operating costs	*2*	(18,676,037)	(21,062,925)
Operating surplus	*2*	10,070,725	7,541,507
Other interest receivable and similar income	*5*	30,025	17,562
Interest and financing costs	*6*	(3,468,770)	(3,538,137)
Surplus before taxation		6,631,980	4,020,932
Taxation on surplus from ordinary activities	*8*	-	-
Surplus for the financial year		6,631,980	4,020,932
Actuarial gains / (losses) on defined benefit pension scheme		(1,834,000)	1,631,000
Total comprehensive income for year		4,797,980	5,651,932

All amounts relate to continuing activities.

The notes on pages 55 to 77 form part of these financial statements.

These financial statements were approved by the Board of Directors on 13th July 2017 and were signed on its behalf by;

I. Bar[illegible]

Chair

Board Member

CGA Secretary

Statement of Financial Position
As at 31 March 2017

	Note	2017	2016
		£	£
Fixed assets			
Tangible fixed assets - housing properties	*11*	131,987,544	131,191,800
Tangible fixed assets - other	*12*	8,175,117	7,666,039
Investment properties	*13*	2,095,000	2,095,000
		142,257,661	140,952,839
Current assets			
Debtors - receivable within one year	*14*	2,913,134	2,593,345
Investments			
Cash at bank and in hand		3,629,639	4,125,877
		6,542,773	6,719,222
Creditors: amounts falling due within one year	*15*	(4,197,853)	(4,921,984)
Net current assets		2,344,920	1,797,238
Total assets less current liabilities		**144,602,581**	**142,750,077**
Creditors: amounts falling due after more than one year	*15*	(105,803,495)	(110,841,018)
Provisions for liabilities	*23*	(139,578)	(145,531)
Pension liability	*25*	(5,398,000)	(3,300,000)
Net assets		**33,261,508**	**28,463,528**
Capital and reserves			
Income and expenditure reserve		36,564,508	29,668,528
Revaluation reserve		2,095,000	2,095,000
Restricted reserve		(5,398,000)	(3,300,000)
		33,261,508	**28,463,528**

The notes on pages 55 to 77 form part of these financial statements.

These financial statements were approved by the Board of Directors on 13th July 2017 and were signed on its behalf by;

Chair

Board Member

CGA Secretary

Statement of changes in reserves for the year ended 31 March 2017

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total
	£	£	£	£
Balance as at 1 April 2016	29,668,528	(3,300,000)	2,095,000	28,463,528
Surplus for the year	6,631,980	-	-	6,631,980
Actuarial losses recognised in the pension scheme	(1,834,000)	-	-	(1,834,000)
Other comprehensive income for the year	**34,466,508**	**(3,300,000)**	**2,095,000**	**33,261,508**
Reserve Transfers:				
Transfer of restricted expenditure from income and expenditure reserve	2,098,000	(2,098,000)	-	-
Balance at 31 March 2017	**36,564,508**	**(5,398,000)**	**2,095,000**	**33,261,508**

Statement of changes in reserves for the year ended 31 March 2016

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total
	£	£	£	£
Balance as at 1 April 2015 restated	25,265,596	(4,549,000)	2,095,000	22,811,596
Surplus/(deficit) for the year	4,020,932	-	-	4,020,932
Actuarial gain recognised in the pension scheme	1,631,000	-	-	1,631,000
Other comprehensive income for the year	30,917,528	(4,549,000)	2,095,000	28,463,528
Reserve Transfers:				
Transfer from revaluation reserve to income and expenditure reserve		-		-
Transfer of restricted expenditure from income and expenditure reserve	(1,249,000)	1,249,000	-	-
Balance at 31 March 2016	29,668,528	(3,300,000)	2,095,000	28,463,528

Statement of cashflows for the year ended 31 March 2017

Cash flow from operating activities	Note	2017	2016
		£	£
Surplus / (deficit) for the financial year		6,631,980	4,020,932
Adjustments for:			
Depreciation of fixed assets - housing properties	*11*	5,788,100	5,700,051
Depreciation of fixed assets - other	*12*	284,917	366,031
Amortised grant	*3*	(2,777,362)	(2,521,579)
Net fair value losses / (gains) recognised in profit or loss		-	-
Interest payable and finance costs	*6*	3,468,770	3,387,023
Interest received	*5*	(30,025)	(17,562)
Difference between net pension expense and cash contribution		264,000	382,000
Deficit on the sale of fixed assets - housing properties	*4*	408,163	383,920
Decrease / (increase) in trade and other debtors	*14*	(285,789)	328,877
Increase / (decrease) in trade and other creditors	*15*	(197,984)	461,871
Increase / (decrease) in provisions	*23*	(5,953)	99,277
Net cash generated from operating activities		**13,548,817**	**12,590,841**
Cash flows from investing activities			
Purchase of tangible fixed assets - housing properties	*11*	(7,439,570)	(4,663,208)
Purchase of tangible fixed assets - other	*12*	(793,995)	(4,399,032)
Net proceeds from sale of fixed assets - housing properties	*4*	961,799	271,086
Grants received	*16*	1,730,900	1,168,294
Interest received	*5*	30,025	17,562
Net cash generated from investing activities		**(5,510,841)**	**(7,605,298)**
Cash flows from financing activities			
Interest paid		(3,474,745)	(3,375,252)
Capital element of lease repaid		(48,173)	(27,829)
Interest element of lease repaid		(11,296)	(5,837)
New loans - bank		-	-
Repayment of loans - bank		(5,000,000)	-
Net cash generated from financing activities		**(8,534,214)**	**(3,408,918)**
Net increase / (decrease) in cash and cash equivalents		**(496,238)**	**1,576,625**
Cash and cash equivalents at beginning of year		4,125,877	2,549,252
Cash and cash equivalents at end of year		**3,629,639**	**4,125,877**

Notes to the Financial Statements for the year ended 31 March 2017

1. Principal Accounting Policies

The financial statements have been prepared in accordance with the applicable Accounting Standards in the United Kingdom and in accordance with FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

a) Basis of accounting

The financial statements are prepared on the Historical Cost Basis.

b) Turnover

Turnover represents rental and service charge income, fees, revenue based grants receivable (except where such grants are reimbursement of specific items of expenditure) and other income.

c) Valuation of housing properties

Housing properties have been valued on a Historic Cost Basis. The properties transferred from Preston City Council were transferred at nil value under the transfer agreement. Properties acquired since the transfer agreement are held at cost value. Improvement costs associated with the properties have been capitalised in accordance with FRS 102.

d) Improvements to housing properties

CGA capitalises repairs expenditure on housing properties which results in an enhancement of economic benefit of the asset. This could include:

- an increase in rental income.
- a reduction in maintenance costs.
- a significant extension of the life of the property

CGA's current policy is to capitalise all major improvements expenditure using the straight line method over the useful economic life of the asset. All investment in the stock has been charged to capital as follows:

	£
Capital	3,504,363

e) Investment Properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Prior to the adoption of FRS 102 Investment properties were measured at a nil historic cost. Following the adoption of FRS 102, Investment properties are carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

f) Impairment of housing properties

All properties are reviewed for impairment annually and where housing properties have suffered a permanent diminution in value, the fall in value is recognised after taking into account any relevant capital grants.

g) Depreciation of housing properties

Freehold land is not depreciated. CGA's policy is to capitalise all major improvements expenditure.

In accordance with the SORP 2014, CGA introduced component accounting from 1st April 2011. All capitalised major improvements expenditure has been categorised into the following components and useful economic lives:

Windows & Doors	30 years
Kitchens	20 years
Bathrooms	30 years
Roofs	70 years
Central Heating	30 years
Residual Structure	30 years
Land	0 years

h) Depreciation of other fixed assets

Depreciation is charged on all assets on a straight line basis over the expected useful economic life of the asset at the following annual rates.

Offices	5 to 80 years
Office Fixtures and Fittings	15 years
Office Furniture	5 years
Computers/Photocopiers/Faxes	3 years
Furnished Tenancies	3 years
Plant and Machinery	3 years

Useful economic lives of all tangible fixed assets are reviewed annually.

i) Sales of housing properties

Sales of housing are taken into account on completion of contracts. The net book value of housing properties on the Statement of Financial Position is held at individual property levels.

j) Works to existing housing properties

Provision for major repairs is only made where a contractual liability exists for work undertaken. Due to the establishment of regular programmes of repair and maintenance, CGA does not make provision for cyclical repairs, but charges actual cost incurred to the Statement of Comprehensive Income.

k) Social Housing Grant (SHG) / Affordable Housing Grant (AHG) / Other capital grants in advance / in arrears

Upon adoption of FRS 102 Grants received in relation to newly acquired (SHG or AHG) or existing housing properties (Gap Funding) is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where a social housing grant (SHG) or affordable housing grant (AHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

l) Leased Assets

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the statement of comprehensive income over the shorter of estimated useful economic life and the term of the lease. Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

m) Stocks

CGA does not have a construction division and does not therefore have any significant stock levels.

n) Provisions

Provisions are made to the extent that CGA has no discretion to avoid the expenditure provided for. Provisions have been calculated in line with the guidance contained in FRS102.

o) Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable.

The provision for Bad debts on tenant arrears is calculated as follows:

Former Tenant Arrears – 100% of debt

Housing Benefit Overpayments – 100% of debt

Current Tenant Arrears – on a sliding scale as detailed below:

Less than £500 – Nil
£500 - £1,000 – 25%
£1,000 - £2,000 – 50%
Greater than £2,000 – 100%

The provision for Bad debts on other non-rent debts is calculated as follows based on age of debt:

Less than 121 Days – Nil
121 Days to 180 Days – 25%
181 Days to 270 Days – 50%
271 Days to 360 Days – 75%
Greater than 360 Days – 100%

p) Deferred taxation

No corporation tax is payable on the surpluses of charitable activities of CGA as it has charitable status.

q) Value Added Tax (VAT)

CGA is registered for VAT. A large proportion of the VAT incurred by CGA cannot be recovered as the bulk of its turnover results from exempt activities.

r) Cash at bank and in hand

CGA had no overnight deposits at 31 March 2017 so cash at bank and in hand represents the bank account balance with Barclays' Bank adjusted for un-presented cheques.

s) Derivative instruments and hedge accounting

CGA holds floating rate loans which expose the Association to interest rate risk, to mitigate against this risk CGA uses interest rate swaps. These SWAPS have been assessed as basic financial instruments and therefore do not need to be measured at fair value at each reporting date.

t) Pension Cost

CGA participates in two funded multi-employer defined benefit pension schemes.

- The Lancashire County Council Scheme.
- The Social Housing Pension Scheme

CGA has fully adopted accounting standard FRS 102 and the recognition, measurement and disclosure requirements for post-employment benefits are in accordance with this standard.

The difference between the fair value of the assets held in CGA's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in CGA's Statement of Financial Position as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that CGA is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by CGA are charged to the Statement of Comprehensive Income in accordance with FRS 102.

In accordance with FRS 102, multi-employer pension schemes are accounted for as defined contribution plans where there is insufficient information available to account for the plan as defined benefit. The present value of the deficit contributions for the Social Housing Pension Scheme (SHPS) has been recognised as a provision in the Statement of Financial Position with a resulting expense charged to the Statement of Comprehensive Income.

CGA also operates a Defined Contribution scheme and contributions are charged to the Statement of Comprehensive Income in the year in which they become payable.

u) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

v) Consolidation of Preston Vocational Centre (PVC) Subsidiary

Board have approved that the PVC Subsidiary is not material and does not have any material transactions and therefore it has not been consolidated under Section 14 of the Industrial and Provident Society Act.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

2. Particulars of Turnover, operating costs and operating surplus

	2017			
	Turnover	Cost of Sales	Operating Costs	Operating (Deficit) / Surplus
	£	£	£	£
Social Housing Activities				
Income and expenditure from lettings	28,572,866	-	(17,289,030)	11,283,836
Other Social Housing Activity				
Supporting People Contract Income and expenditure	144,030	-	(237,450)	(93,420)
Community Regeneration	-	-	(591,229)	(591,229)
Development costs not capitalised	-	-	(206,215)	(206,215)
Sale of fixed assets (Note 4)	1,948,007	(2,356,170)	-	(408,163)
Non-Social Housing Activities				
Lettings income and expenditure	438,029	-	(352,113)	85,916
Total	**31,102,932**	**(2,356,170)**	**(18,676,037)**	**10,070,725**

	2016			
	Turnover	Cost of Sales	Operating Costs	Operating (Deficit) / Surplus
	£	£	£	£
Social Housing Activities				
Income and expenditure from lettings	28,478,079	-	(19,445,200)	9,032,879
Other Social Housing Activity				
Supporting People Contract Income and expenditure	141,003	-	(216,772)	(75,769)
Community Regeneration	-	-	(582,411)	(582,411)
Development costs not capitalised	-	-	(529,981)	(529,981)
Sale of fixed assets (Note 4)	778,429	(1,162,349)	-	(383,920)
Non-Social Housing Activities				
Lettings income and expenditure	369,270	-	(288,561)	80,709
Total	**29,766,781**	**(1,162,349)**	**(21,062,925)**	**7,541,507**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

3. Income and Expenditure from Social Housing Activities

Income and Expenditure from Social Housing Lettings

	General Needs Housing	Supported Housing	2017	2016
	£	£	£	£
Rents receivable	23,939,066	1,832,324	25,771,390	25,938,832
Amortised government grants	2,555,279	222,083	2,777,362	2,521,579
Other Income	24,033	81	24,114	17,668
Total income from lettings	**26,518,378**	**2,054,488**	**28,572,866**	**28,478,079**
Expenditure				
Management	(4,876,204)	(617,392)	(5,493,596)	(7,501,798)
Routine maintenance	(4,220,889)	(315,346)	(4,536,235)	(4,689,358)
Service costs	(1,126,338)	(223,661)	(1,349,999)	(1,285,866)
Bad debts	(121,099)	-	(121,099)	(268,127)
Depreciation on housing properties:				
- annual charge	(4,816,925)	(346,092)	(5,163,017)	(4,876,444)
- accelerated on disposal of components	(406,994)	(218,090)	(625,084)	(823,607)
Total expenditure on lettings	**(15,568,449)**	**(1,720,581)**	**(17,289,030)**	**(19,445,200)**
Operating surplus on lettings activities	**10,949,929**	**333,907**	**11,283,836**	**9,032,879**
Void losses	170,552	33,363	203,915	224,530

Note: As at 31 March 2017, CGA had 6,173 properties as follows:

General Needs	
- Social Rent	5,379
- Affordable Rent	355
Supported	439
Total	**6,173**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

4. Profit / (loss) on sale of fixed assets

	2017	2016
	£	£
Right to Buy / Acquire sale proceeds.	1,948,007	778,429
Less share of proceeds due to Preston City Council.	(767,616)	(507,343)
Cost of Sales	(41,192)	-
Disposals Proceeds Fund	(691,636)	-
Carrying value of fixed assets	(855,726)	(655,006)
Loss on sale of fixed assets	(408,163)	(383,920)

5. Interest receivable and other income

	2017	2016
	£	£
Bank interest receivable	30,025	17,562
	30,025	17,562

6. Interest payable and similar charges

	2017	2016
	£	£
On loans repayable in more than five years	(3,349,427)	(3,387,023)
Finance leases	(11,296)	(5,837)
FRS 17 interest	(114,000)	(149,000)
Movement in SHPS pension provision	5,953	3,723
	(3,468,770)	(3,538,137)

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

7. Surplus on ordinary activities before taxation

	2017 £	2016 £
Surplus on ordinary activities is stated after charging:		
Depreciation of housing properties:		
- annual charge	5,163,017	4,876,444
- accelerated depreciation on replaced components	748,411	957,388
Depreciation of other tangible fixed assets	284,917	366,031
Operating lease charges - Vehicles	282,418	323,046
Auditors' remuneration (including VAT):		
- Audit of company	30,360	30,628
- Internal audit services	18,551	23,780
Defined contribution pension cost	159,761	154,204
Defined benefit pension cost (see note 23)	139,578	161,663

8. Taxation

	2017 £	2016 £
UK Corporation tax		
Current tax	-	-

9. Directors emoluments

	2017 £	2016 £
Aggregate emoluments payable to Directors (excluding pension contributions and including benefits in kind)	500,657	449,747
Pension contributions	58,903	58,954
Aggregate emoluments payable to Directors (including pension contributions and benefits in kind)	559,560	508,701

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

9. Directors emoluments (continued)

	2017 £	2016 £
Emoluments payable to the highest paid Director	157,859	154,927

The number of Directors, including the highest paid Director, who received emoluments in the following ranges were as follows:

		2017	2016
£Nil (Board)		11	11
£Nil	£59,999	-	-
£60,000	£69,999	-	-
£70,000	£79,999	-	-
£80,000	£89,999	-	-
£90,000	£99,999	-	-
£100,000	£109,999	-	-
£110,000	£119,999	3	2
£120,000	£129,999	-	1
£130,000	£139,999	-	-
£140,000	£149,999	-	-
£150,000	£159,999	1	1
		15	**15**

	2017	2016
Number of Directors to whom retirement benefits are accruing in respect of qualifying services.	4	4

	2017 £	2016 £
Expenses payable to members of the Board who were neither officers nor employees of the Company	1,854	7,723

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

10. Employee Information

	2017 Average Number	2016 Average Number
Board	9	11
Resources	39	40
Customer Services	171	175
Community Regeneration	20	23
	239	249

The staff numbers are Average Full Time Equivalents (FTE's). The FTE is based on an average 37 hour week calculated on a monthly basis, with the monthly FTE's averaged for the year.

	2017 £	2016 £
Wages and salaries	6,393,951	6,827,145
Redundancy / Compromise Agreement	31,041	115,697
Social security costs	630,231	578,404
Other pension costs	569,608	615,153
	7,624,831	8,136,399

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

11. Housing Properties at valuation

	Completed housing properties held for letting	Housing properties under construction	Total
	2017	**2017**	**2017**
	£	**£**	**£**
Cost or valuation			
At 1 April 2016	151,629,266	1,725,018	153,354,284
Additions:			
- construction costs	1,558,801	2,376,406	3,935,207
- replaced components	3,504,363	-	3,504,363
Completed schemes	3,169,926	(3,169,926)	-
Disposals:			
- Property Sales	(1,041,863)	-	(1,041,863)
- replaced components	(748,411)	-	(748,411)
At 31 March 2017	**158,072,082**	**931,498**	**159,003,580**
Less: Depreciation			
At 1 April 2016	(22,162,484)	-	(22,162,484)
Charged for the year	(5,163,017)	-	(5,163,017)
Eliminated on disposals:			
- property sales	186,137	-	186,137
- replaced components	123,328	-	123,328
At 31 March 2017	**(27,016,036)**	**-**	**(27,016,036)**
Net book value at 31 March 2017	**131,056,046**	**931,498**	**131,987,544**
Net book value at 31 March 2016	**129,466,782**	**1,725,018**	**131,191,800**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

12. Other Tangible Fixed Assets

	Freehold Buildings £	Plant, machinery, & fixtures £	Computer, hardware & software £	Total £
Cost or valuation				
At 1 April 2016	5,562,543	1,787,396	3,296,539	10,646,478
Additions	91,696	121,315	580,984	793,995
At 31 March 2017	**5,654,239**	**1,908,711**	**3,877,523**	**11,440,473**
Less: Depreciation				
At 1 April 2016	117,133	624,402	2,238,904	2,980,439
Charge for the period	75,540	154,356	55,021	284,917
At 31 March 2017	**192,673**	**778,758**	**2,293,925**	**3,265,356**
Net Book Value at 31 March 2017	**5,461,566**	**1,129,953**	**1,583,598**	**8,175,117**
Net Book Value at 31 March 2016	**5,445,410**	**1,162,994**	**1,057,635**	**7,666,039**

Finance Leases

The net book value of plant, machinery and vehicles includes an amount of £200,037 (2016 : £259,655) in respect of assets held under finance leases and hire purchase contracts.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often CGA has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

13. Investment properties

	Commercial £	Total £
At 1 April 2016	2,095,000	2,095,000
Additions	-	-
Disposals	-	-
Schemes completed	-	-
Revaluations	-	-
At 31 March 2017	**2,095,000**	**2,095,000**

The group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 1e.

14. Debtors

	2017 £	2016 £
Amounts receivable within one year:		
Arrears of rent and service charges	206,032	264,277
Former tenant arrears	213,298	264,208
Housing other debt	122,303	104,007
Less: Provision for bad and doubtful debts - Housing	(399,834)	(439,032)
	141,799	193,460
Grants receivable	34,000	-
Stock	36,032	36,032
Other debtors	355,546	233,505
Employees	3,041	-
Insurance	23,814	27,401
Prepayment and accrued income	2,416,967	2,256,979
Less: Provision for bad and doubtful debts - Non housing	(98,065)	(154,032)
Total Debtors	**2,913,134**	**2,593,345**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

15. Creditors

	2017	2016
	£	£
Amounts falling due within one year:		
Pre-paid rent	(555,592)	(513,822)
Loan Interest	(132,806)	(150,077)
Accruals and deferred income	(347,500)	(507,964)
Taxation and social security	(13,620)	(6,256)
Trade creditors	(193,092)	(283,220)
Land sale development fund	(438,351)	(434,877)
Deferred capital grant (see note 18)	(2,199,511)	(2,164,987)
Disposal Proceeds Fund (see note 17)	(241,724)	(785,124)
Obligations under finance leases	(48,787)	(48,787)
Leaseholders fund	(26,870)	(26,870)
	(4,197,853)	(4,921,984)
Amounts falling due after more than one year:		
Housing loans (see note 16)	53,000,000	58,000,000
Disposal Proceeds Fund (see note 17)	1,057,636	-
Obligations under finance leases	118,514	166,687.00
Deferred capital grant (see note 18)	51,627,345	52,674,331
	105,803,495	**110,841,018**

16. Loans and Borrowings

	Housing Loans **2017**	Housing Loans **2016**
	£	£
Total loans repayable within 2 years	-	-
Total loans repayable within 2 to 5 years	-	-
Total loans repayable in 5 years or more	53,000,000	58,000,000
	53,000,000	**58,000,000**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

16. Loans and Borrowings (continued)

Loan Security of 100% is required on all the debt. The interest rates payable on this debt are shown in the table below

Interest rate Fixings	Debt £	Interest rate %
Fixed Rate Loan	10,000,000	4.53%
Fixed Rate Loan	10,000,000	5.08%
Fixed Rate Loan	10,000,000	4.55%
Fixed Rate Loan	10,000,000	4.56%
Cancellable SWAP	10,000,000	5.18%
Variable Rate Debt	3,000,000	3 month LIBOR

17. Disposal proceeds fund

	2017 £	2016 £
At 1 April 2016	785,124	413,124
Net sale proceeds recycled	685,636	372,000
Acquisition of dwellings for letting	(171,400)	-
At 31 March 2017	**1,299,360**	**785,124**

18. Deferred Capital Grant

	2017 £	2016 £
At 1 April 2016	54,839,318	56,192,603
Grants received during the year	1,764,900	1,168,294
Released to income during the year	(2,777,362)	(2,521,579)
At 31 March 2017	**53,826,856**	**54,839,318**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

19. Total of future minimum lease payments under finance leases:

Amounts payable as Lessee

Office equipment, expiring:

	2017	2016
	£	£
Within one year	58,790	58,790
One to five years	142,075	200,865
Beyond five years	-	-
	200,865	**259,655**

20. Financial instruments

CGA's financial instruments may be analysed as follows:

	2017	2016
Financial assets	£	£
Financial assets measured at historical cost		
- Trade receivables	141,799	193,460
- Other receivables	2,771,335	2,399,885
- Cash and cash equivalents	3,629,639	4,125,877
Total financial assets	**6,542,773**	**6,719,222**

	2017	2016
Financial liabilities	£	£
Financial liabilities measured at amortised cost		
- Loans payable	(53,000,000)	(58,000,000)
Financial liabilities measured at historical cost		
- Trade creditors	(748,684)	(797,042)
- Other creditors	(56,085,363)	(56,750,486)
- Finance leases	(167,301)	(215,474)
	(110,001,348)	**(115,763,002)**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

21. Capital Commitments

	2017	2016
	£	£
Capital expenditure that has been contracted but has not been provided for in the financial statements	5,593,000	541,000
Capital expenditure that has been authorised but has not yet been contracted for	11,542,000	5,290,000
	17,135,000	**5,831,000**

22. Operating leases

Operating lease costs are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease. The company had minimum lease payments under non-cancellable operating leases as set out below:

Vehicles, offices and office equipment, expiring:

	2017	2016
	£	£
Within one year	271,727	359,382
One to five years	339,910	271,225
Beyond five years	-	120,000
	611,638	**750,607**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

23. Provisions for liabilities

Community Gateway Association SHPS pension deficit contribution	**SHPS pension deficit contribution £**
Provision as at 1 April 2016	145,531
Charged to income & expenditure	
- Additions	-
- Remeasurement - impact of changes in assumptions	5,440
- Remeasurement - changes to contn schedule	0
Unwinding of discount	1,936
Contribution paid	(13,329)
Utilised in year	-
Provision as at 31 March 2017	**139,578**

Note a) The discount rate used in calculating SHPS pension deficit contribution provision changed from 2.06% at 31 March 2016 to 1.33% at 31 March 2017, as a result the provision decreased.

24. FRS 17 – Retirement Benefits – Social Housing Pension Scheme

Community Gateway Association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

The company has agreed to a deficit funding arrangement and a liability is recognised for this obligation measured at the present value of the contributions payable that arise from the deficit recovery agreement.

25. Retirement Benefits – Lancashire County Council Pension Fund

CGA participates in the Lancashire County Council Pension Fund, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately for CGA. The most recent triennial valuation of the Fund was carried out as at 31 March 2016. This valuation has been updated for FRS102 assumptions to 31 March 2017 by a qualified actuary:

Valuation date	31 March 2016
Valuation method	Projected Unit
Market value of assets	£21.445 million
Current Employer Contribution rate	14.9%
Investment return per annum:	6.6%

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

25. Retirement Benefits – Lancashire County Council Pension Fund (continued)

CGA is required to disclose further information on its share of assets and liabilities of the Fund on an FRS 102 market value basis at the end of the accounting period. This information is set out below;

Actuarial assumptions	**At 31 March 2017**	**At 31 March 2016**
Discount rate	2.60%	3.60%
Salary increase rate	3.80%	3.50%
Pension increase rate	2.30%	2.00%
Rate of inflation	2.30%	2.00%
Life expectancy of a male (female)		
- future pensioner aged 65 in 20 years time	24.9 (27.9) years	25.2 (27.9) years
- current pensioner aged 65	22.6 (25.2) years	23 (25.6) years

Value of Assets	**At 31 March 2017**	**At 31 March 2016**
	£	**£**
Equities	-	6,165,000
Government bonds	429,000	358,000
Other bonds	343,000	358,000
Property	1,887,000	1,720,000
Cash/liquidity	236,000	609,000
Other	18,550,000	8,708,000
Total value of assets	21,445,000	17,918,000
Value of liabilities	(26,843,000)	(21,218,000)
Deficit in scheme Related deferred tax liability	(5,398,000)	(3,300,000)
Net pension liability	**(5,398,000)**	**(3,300,000)**

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

25. Retirement Benefits – Lancashire County Council Pension Fund (continued)

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and are discounted at the current rate of return on high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges and finance costs in the Statement of Comprehensive Income.

Reconciliation of present value of plan liabilities	**2017**	**2016**
	£	**£**
At the beginning of the year	(21,218,000)	(21,391,000)
Current service cost	(430,000)	(523,000)
Interest cost	(758,000)	(726,000)
Member contributions	(135,000)	(149,000)
Actuarial losses	(4,764,000)	1,389,000
Benefits paid	491,000	204,000
Curtailments	(29,000)	(22,000)
At the end of the year	(26,843,000)	(21,218,000)

Reconciliation of fair value of plan assets	**2017**	**2016**
	£	**£**
At the beginning of the year	17,918,000	16,842,000
Interest income on plan assets	644,000	577,000
Member contributions	135,000	149,000
Employer contributions	318,000	320,000
Actuarial gains/(losses)	2,930,000	242,000
Administration expenses	(9,000)	(8,000)
Benefits paid	(491,000)	(204,000)
At the end of the year	21,445,000	17,918,000
Fair value of plan assets	21,445,000	17,918,000
Present value of plan liabilities	(26,843,000)	(21,218,000)
Net pension scheme liability	(5,398,000)	(3,300,000)

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

25. Retirement Benefits – Lancashire County Council Pension Fund (continued)

Amounts recognised in other comprehensive income are as follows	**2017**	**2016**
	£	**£**
Included in administrative expenses		
Current service cost	(430,000)	(523,000)
Administration expenses	(9,000)	(8,000)
Curtailment loss	(29,000)	(22,000)
	(468,000)	(553,000)

Amounts included in other finance costs	**2017**	**2016**
	£	**£**
Net interest cost	(114,000)	(149,000)
	(114,000)	(149,000)

Analysis of actuarial gains/(losses) recognised in Other Comprehensive Income	**2017**	**2016**
	£	**£**
Actual return less interest income included in net interest income	2,930,000	242,000
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(4,764,000)	1,389,000
	(1,834,000)	1,631,000

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

26. Legislative Provisions

CGA is incorporated under the Co-operative and Community Benefit Societies Act 2014.

27. Related Party Transactions

During the year the Board of Management included positions for five Directors who are tenants of CGA. The six tenant Board Directors who sat on the Board of Management during the year are:

Irene Bailey	Sue Lyons
Julie Holmes	David Yates
Angela Ayres	Veronica McLintock

The terms of their tenancy arrangements are consistent with those offered to other tenants. The combined rent charged for the year was £21,537 (2016: £22,968), and the tenants had a combined credit balance of £427.41 (2016: credit balance of £386.68).

The Board of Management also includes two Directors who are elected members of Preston City Council. As at 31 March 2017 these are:

Roy Leeming
Mark Yates

CGA undertakes transactions with the Council at arms length in the normal course of business.

In August 2013 CGA acquired Preston Vocational Centre (PVC) at nil value and PVC became a subsidiary of CGA. As the turnover for the period 1st April 2016 to 31st March 2017 is not material to CGA's overall accounts and there are no material transactions contained within PVC's accounts, they have not been consolidated into CGA's accounts. Should PVC's accounts become material they will be consolidated into CGA's accounts in a future accounting period.

28. Post Balance Sheet Event Note

On the 13th July 2017 CGA Board agreed to:

- terminate the contract in place at 31 March 2017 for the implementation of its Housing Management System; and
- take steps to seek damages with the aim of recovering the costs to CGA.

The financial impact of this decision cannot be quantified with any degree of certainty at this time.